

Washoe County School District's *History of Performance Contracting*

Presented by:

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Performance Contracting History

- 1991
 - WCSD was the First Public Agency in Nevada to enter into a “Shared Savings” agreement
 - Lighting (**reflectors**), HVAC replacement
- 1993
 - Participated in the development and passage of the first Nevada legislation “Shared Savings”
 - NRS 338.1905-1907
 - Expired by Limitation on May 1, 2013

PC History (cont.)

- 1997-1999
 - Pilot Program
 - 27 schools to demonstrate expertise and partnership
 - Open Market Energy (Electricity) Purchase
 - Plan was to evolve the contract into additional Phases
 - \$5.3mm construction
 - Lighting, HVAC Controls, Steam Traps, Vending Meters, Water Conservation, Trash Management, Power Purchase
 - \$482k/yr guarantee - \$440k/yr actual (11 year)

PC History (cont.)

- 1999-2002
 - Three additional Phases bringing the total to:
 - 98 schools
 - \$14.8 mm construction
 - Boiler/Burner replacement: fuel switching
 - HVAC replacement
 - Ventilation upgrades
 - \$956k/yr guaranteed
 - \$967k/yr actual (15 year payback)

PC History (cont.)

- 2003
 - Legislation approved an ACT establishing an alternative procedure for the installation or purchase of **cost-savings energy measures** in buildings “Performance Contract”
 - NRS
 - 332 (Purchasing/Local Govnmt) & 333A (State of Nevada)
 - More prescriptive than NRS-338
 - Definitions
 - Operating & maintenance savings
 - Qualified Service Company selection
 - Contract requirements/guarantee

PC History (cont.)

- 2004-2008
 - Two additional Program Phases (5 & 6)
 - Bringing the total 6 Phase project to:
 - 108 individual school projects
 - \$18mm construction cost
 - \$1.0mm/yr guarantee (5.9% return or 17yr)

PC History (cont.)

- 2005
 - Phase 1-4 were audited by Legislative Counsel Bureau (LCB)
 - Findings
 - Excessive paybacks in Phase 2 & 3
 - Exceed useful lives of some equipment

PC History (cont.)

- 2009
 - Legislation approved changes to the provisions governing performance contracts in NRS-332
 - Application process for ESCOs
 - Meet minimum qualifications
 - Preapproved by the Local Government
 - Same qualifications as for Public Works contractors NRS338
 - Performance Contract specifies
 - Dollar amount of contract
 - Percentages of consumption savings
 - Must be structured with a guarantee
 - » Eliminated “shared savings” provisions
 - Applicable only to “existing” buildings
 - Annual reporting to Legislature

PC History (cont.)

- 2013
 - Adopted Legislation:
 - Specifically targeting school districts
 - Adopt policy for considering performance contracting
 - » Establish criteria for determining what work will be considered
 - » Evaluate if the work should be done under a performance contract
 - New or existing
 - Annual reporting when a financial grade audit is performed
 - » Identified cost-savings measures
 - » Those not included in a Performance Contract
 - Expanded duties of the State Energy Office

Performance Contracting Enhancements

- Include building commissioning – Re or Retro
 - Low cost, first measures to establish baseline
 - 10-25% savings annually (<3yr payback)
 - Incorporate with financial grade audit field work for cost effectiveness
 - Assures maintenance staff training
 - Re-commission every 3-5 years
 - Sustains annual savings
 - Incorporated into M&V requirements
 - Assures continuous/new employee training

Performance Contracting Enhancements (cont.)

- Incorporate long term Capital Improvement Plans (CIP) into the financial grade audit assessment
 - Leverage maintenance (life cycle equipment replacement) budgets with performance contract financing
 - Realign equipment replacement priorities
- Provide owner with quarterly reporting forms
 - Operational changes and problems

Advice from Lessons Learned

- Have knowledgeable people involved throughout the entire program
 - Central and facility maintenance staff
 - Administrative staff
 - 3rd Party Consultant (very important)
- Keep current on contractual agreement
 - Management changes
 - Employee turnover
 - ESCo changes

Advice (cont.)

- Keep maintenance and facility staff updated
 - Quarterly meetings
 - Periodic but regular employee (existing & new) training
 - Regular work orders
- Participate in the M&V Process
 - Coordinate activities
 - Provide technical assistance/supervision
 - Carefully review reconciliation report

Advice (cont.)

- Recapture retiring debt service for a new performance contract
- Keep the facility needs at the forefront of program

Lastly...

Advice (cont.)

- Keep EVERYONE continuously involved and attuned to your Program!
 - Your ESCO
 - Your Maintenance Staff
 - Central and Facility
 - Your Administration
 - Central, Department and Facility
 - Your Governing Board
 - The Public

Thank You!

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